

## The Commodities Feed: German gas storage full

The bulk of the complex came under pressure yesterday after Chinese health officials reaffirmed their zero-Covid policy. Meanwhile, milder than usual weather in Europe is set to continue for at least another week, which will delay the start of the heating season and provide further relief when it comes to spot gas prices



Gas storage tank

### Energy - EU price cap on imported gas looking less likely

Oil prices corrected lower yesterday after health officials from China made it clear that China will continue with its zero-Covid policy. Oil prices and the broader commodities complex have seen increased volatility in recent days after speculation that China could look to ease its strict Covid policy. The Chinese demand outlook is important for the global market. Global oil demand is expected to grow by around 1.7MMbbls/d next year and China is expected to make up almost 50% of this growth. There is plenty of uncertainty around how the domestic Covid situation develops and how authorities tackle any further outbreaks through 2023. Demand uncertainty for next year is not isolated to China. The deteriorating macro backdrop raises concerns over global growth. While 1.7MMbbls/d of demand growth might appear strong, it is important to remember that global oil demand is still trying to get back to pre-Covid levels.

The latest data from India's Petroleum Planning & Analysis Cell shows that domestic oil products demand grew by 3.4% YoY to total 18.37mt in October - the highest monthly number since June. Gasoline consumption grew by 8.8% YoY to 2.99mt, whilst diesel consumption increased by 5.5% YoY to 6.98mt. Cumulative products demand in the current fiscal year (starting April) stands at 126.12mt, up 11.8% YoY.

As for the European gas market, it appears that milder than usual weather will continue over the next week, offering relief to the region with it delaying the start of the heating season. EU gas storage continues to tick higher with it more than 95% full, whilst in Germany storage is effectively full, standing at more than 99.5%. The contango at the front end of the TTF curve remains wide. Day ahead prices are trading at a little over EUR65/MWh, whilst Feb-23 prices are trading in excess of EUR120/MWh. While milder weather has helped the European market for the upcoming heating season, there are still serious supply concerns for next year.

According to Bloomberg, the European Commission held further discussions with member countries on Monday related to the ongoing energy crisis. According to the report, the Commission appears to be against pushing ahead with a price cap on imports of natural gas. Capping the price on gas imports is a risky move with it potentially leading to reduced gas flows to the region. LNG suppliers could redirect flows to markets which are trading above the EU's price cap.

## **Metals – Copper imports in China remain weak amid softening demand**

Copper traded lower on Monday amid poor trade numbers from China and after the government reaffirmed its zero-Covid policy stance, dampening hopes for any relaxation in the world's biggest consumer of industrial metals.

China released its preliminary trade data for metals yesterday. Total monthly shipments for unwrought copper fell 20.7% MoM and 1.5% YoY to 404kt in October. On a year-to-date basis, unwrought imports were still up 8.8% YoY to total 4.82mt in the first ten months of the year. Imports of copper concentrate declined 17.7% MoM, although still up 3.8% YoY to 1.87mt in October. Cumulatively, imports rose 8.4% YoY to 20.8mt over the first ten months of the year. Iron ore imports declined 4.7% MoM to 95mt last month, while cumulative imports so far this year totaled 917mt, down 1.7% YoY.

The latest data from LME shows that, on-warrant copper stocks rose by 2.95kt (biggest daily increase in a month) taking the total to 45.5kt as of yesterday. Meanwhile, total exchange inventories declined for an eleventh straight session, falling 4.05kt to 84.55kt.

## **Agriculture – China's soybean imports decline to the lowest in eight years**

Trade data from China Customs shows that soybean imports in October fell 46% MoM and 19% YoY to 4.14mt (lowest since October 2014), due to weak crush margins and drought delaying US shipments. Cumulatively, soybean imports have declined 7.4% YoY to 73.2mt over the first ten months of the year. While Chinese soybean crush margins were in negative territory for much of the summer months, they did move back into positive territory in September.

The latest crop progress report from the USDA shows that the US winter wheat crop is now 92%

planted, above last year's level and the 5-year average of 90%. However, the condition of the crop is more of a concern. 30% of the winter wheat crop is rated good-to-excellent, which is below the 45% rated this condition at the same stage last season.

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